

VERMONT STATE TEACHERS' RETIREMENT SYSTEM

Meeting of the Board of Trustees

March 15, 2003

Board Members present:

JOSEPH MACKEY, Chairperson (Active No. 29334), term expiring July 1, 2005

JAY KAPLAN, Association of Retired Teachers of Vermont, term expiring July 1, 2008

THOMAS CANDON, representing Commissioner of BISHCA

VAUGHN ALTEMUS, representing Commissioner of Education

JEB SPAULDING, VT State Treasurer

JON HARRIS, Vice-Chairperson (Active No. 25669), term expiring July 1, 2007, **joined via telephone later in the meeting**

Also attending:

Cynthia Webster, Director of Retirement Operations

Doug Moseley, New England Pension Consultants – **via conference call**

Rita Rinehart and June Atwood, Vermont Retired Teachers' Association

James Fannon, III, VT-NEA

Cristal Brown, VSTRS active member

The Chairperson, Joe Mackey, called the meeting to order at 8:35 a.m. on Monday, March 15, 2004, in the Treasurer's Conference Room #1 at 133 State Street, Montpelier, Vermont.

ITEM 1: Approval of minutes of February 18, 2004

On a motion by Mr. Spaulding seconded by Mr. Altemus, the Board unanimously voted to approve the minutes of February 18, 2004, as submitted.

The board requested that amended minutes be re-distributed to the board so they have the final version for their records. Approved minutes should also be posted to the website as soon as possible. Mr. Candon requested that proxy voting guidelines be discussed at a future meeting.

ITEM 2: Act on the Disability Retirement for: *Robert Henley*

On a motion by Mr. Candon seconded by Mr. Altemus, the Board unanimously voted to approve the disability retirement for Robert Henley, as recommended by the Medical Review Board.

The board asked for another legal opinion regarding their authority relative to the word "may" as it appears in the disability retirement section of the statutes.

ITEM 3: State Treasurer's Report

A. Legislative Update: Unitization

The unitization bill passed the ~~House~~ *Senate*. The three board chairs testified in favor of the bill; the Administration has not yet testified. Considerable discussion ensued regarding the make-up of the Vermont Pension Investment Council board.

B. Management Consultant Status: Maximus

Maximus has completed their staff interviews, and are working on developing workflow charts. They should be completed by the end of the month. They are planning to conduct interviews with board members and retirees for their input. The final report will be shared with the three boards.

The closing date for the recruitment of the new Deputy Director position was March 12, 2004.

C. Strategic Planning to Address Continued Under Funding Education

Presentations have been made to appropriate legislative committees. The Governor has agreed to allocate some of the "waterfall" revenues to the Teachers' Retirement System. Mr. Kaplan requested that the Governor be reminded to send the Integrity Letter as required by statute to all legislators. The Treasurer indicated he would take care of it.

ITEM 4: Discuss Cristal Brown Service Credit Request

Cristal Brown agreed to discuss her request during the open meeting. Mr. Fannon from VT-NEA provided a summary of Ms. Brown's employment history and the reasons for her request for a restoration of her previously withdrawn membership in the Teachers' Retirement System. Considerable discussion ensued over the merits of the request and the precedent it might set. Ms. Brown clarified that the refund she received as a result of her withdrawal from membership was invested in a separate account pending resolution of her loss of service credit.

Mr. Kaplan moved and Mr. Mackey seconded a motion to grant the 13 years of teaching service lost when Ms. Brown's previous membership was withdrawn providing Ms. Brown returns the contributions plus interest that was refunded to her along with interest that would have accrued during the interim at the system's assumed rate. Mr. Kaplan, Mr. Mackey, Mr. Altemus and Mr. Candon voted aye; Mr. Spaulding voted nay. Motion carried.

Mr. Altemus stated the fact that Ms. Brown's refund was placed into a separate account during the interim was a deciding factor in his vote.

ITEM 5: Discuss/Act on Independent School Admission to VSTRS Policy

Staff distributed a *Designation of "Employer of Teachers"* draft policy outlining criteria for participation in the VSTRS for Board review. The Board suggested several amendments to the draft policy. **On motion of Mr. Kaplan seconded by Mr. Mackey, it was unanimously voted to approve the draft policy with suggested amendments.**

ITEM 6: Discuss/Act on Request by Sharon Academy to Participate in the VSTRS

On a motion by Mr. Mackey seconded by Mr. Spaulding, the Board unanimously voted to deny membership of the Sharon Academy in the Vermont State Teachers' Retirement System because they are not a public school.

ITEM 7: Discuss Status of ROTC Trainers

The Board agreed that the policy going forward will be to require an ROTC trainer be licensed by the Vermont State Board of Education *in a position where a license is required* in order to become a member of the system. This policy is consistent with the definition of "teacher" as outlined in statute.

The Board requested that the Director discuss with legal counsel how to proceed with non-licensed ROTC trainers who are currently members of the system. The issue will be addressed again at the next business meeting.

ITEM 8: Report on New Definition of Licenses Issued by DOE

The board discussed the memorandum prepared by staff that outlines the new licenses that are currently being issued by the Department of Education. The memorandum included three options for board consideration. **On a motion by Mr. Altemus seconded by Mr. Kaplan, the board unanimously voted to accept Option 2 which would allow a teacher who is issued any type of license by the DOE *except* an emergency license to qualify for membership in the system, and to work with the legislature to enact the same.**

ITEM 9: Director of Retirement Operations Report

A. Legislative Bills

H.753 relating to expansion of the recognized timeframe for a grant of military service to include the pre-Vietnam era has passed out of the House Government Operations Committee and is now in the House Appropriations Committee.

Sections of a draft of a House Government Operations Committee bill addressing several housekeeping items for the VSTRS was discussed. The committee bill is still under consideration in the House Government Operations Committee.

B. Update on Independent Contractors

The Board discussed two contracts that have been received by the Director representing the division of duties of a superintendent position currently held by a retired member. The contracts appear to have divided the duties ordinarily accomplished by a licensed superintendent into two separate positions, one that would require a license and one that would not require a license. The salary for the licensed position would be below the allowable earnings for a retired member, thereby allowing the retired member to continue to receive his/her pension allowance. The

majority of the retired member's salary would be paid for the position that did not require a license, and therefore would not be counted against the retired member's allowable earnings. The Board requested a legal opinion on whether they have the authority to deny the two contracts, and if the answer was no, what steps the Board could take to avoid a similar job division in the future.

ITEM 10: Discuss Statutory Funding Differences Between VSERS vs. VSTRS

The Treasurer distributed statutory language mandating that all administrative and operating expenses incurred by the Vermont State Retirement System be reimbursed to the system by the State of Vermont. The Treasurer also distributed a comparison of annual budgets for all three retirement systems for Board review and discussion.

ITEM 11: Discuss Actuarial Estimate for Greater than 50% Benefit Proposal

A letter prepared by the actuary addressing the impact of allowing a retirement allowance greater than 50% of a member's average final compensation was distributed to the Board. Discussion was deferred until a later date.

ITEM 12: Discuss To-Do List

The Board went over the To-Do list and eliminated several items that had been completed and added a few new ones for follow-up action.

ITEM 13: Discussion of Real Estate Allocation with NEPC

Doug Moseley joined the meeting via conference call. Discussion ensued regarding the poor performance and high fees of the Tower Fund versus the other two real estate funds. **On motion of Mr. Kaplan seconded by Mr. Mackey, it was unanimously voted to request a redemption of the Tower Fund and allocate the money between the other two real estate funds.**

The Treasurer distributed a letter he wrote to the Minnesota Governor and Executive Director of the Minnesota Board of Investments applauding them on their action to initiate a shareholder resolution requesting that Pfizer Incorporated cease all actions that intentionally limit the availability of company products to Canadian wholesalers or pharmacies that allow purchase of products by non-Canadian residents. **On a motion by Mr. Altemus seconded by Mr. Kaplan, it was unanimously voted to authorize the Treasurer to work with the Minnesota State Board of Investments and other investors to develop and file shareholder resolutions as outlined in the Shareholder Resolution for Pharmaceutical Companies passed by the Minnesota State Board of Investments.**

ITEM 14: Other Business to be Brought Before the Board

The Board discussed the reporting discrepancies relating to Cristal Brown's account that occurred at the local school district level, and how to prevent similar discrepancies from occurring in the future.

The Board agreed to schedule the next business meeting on April 5, 2004.

On a motion by Mr. Altemus seconded by Mr. Mackey, the Board unanimously voted to adjourn at 4:21 p.m.

Respectfully submitted,

Cynthia L. Webster
Secretary to the Board

The next scheduled quarterly investment meeting is May 19, 2004.

GOALS: **The Board established the following list of goals to be addressed in the future:**

Support full appropriation
Increased staff for counseling & continued training

TO DO's

Who	What	When	Done
** = for possible 2004 legislative changes			
NEPC	Enhanced Index manager options (9/23 item 2)	11/19/03	
CLW	Follow up on developing policy for independent/private school membership (9/23 item 4)	ASAP	3/15/04
CLW	Evaluate magnitude/impact to system of potential 700 wavered teachers (9/23 item 11)	ASAP	3/15/04
CLW	Prepare draft policy for Board & AG re: Independent Schools (12/16 # 4)	ASAP	3/15/04
CLW	Modify legislative recommendations get actuary estimate and re-distribute for Board comments (12/16 #13)	ASAP	3/15/04
All	discussion of Economically Targeted Investment (ETI) policy (2/18 item 8)	TBD	